

VZCZCXYZ0000
PP RUEHWEB

DE RUEHLP #1245/01 1241830
ZNR UUUUU ZZH
P 041830Z MAY 07
FM AMEMBASSY LA PAZ
TO RUEHC/SECSTATE WASHDC PRIORITY 3467
INFO RUEHAC/AMEMBASSY ASUNCION 6753
RUEHBO/AMEMBASSY BOGOTA 4084
RUEHBR/AMEMBASSY BRASILIA 7978
RUEHBU/AMEMBASSY BUENOS AIRES 5221
RUEHCV/AMEMBASSY CARACAS 2450
RUEHPE/AMEMBASSY LIMA 2580
RUEHMD/AMEMBASSY MADRID 3452
RUEHMN/AMEMBASSY MONTEVIDEO 4585
RUEHQT/AMEMBASSY QUITO 5090
RUEHRO/AMEMBASSY ROME 0288
RUEHSG/AMEMBASSY SANTIAGO 9675
RUEHTC/AMEMBASSY THE HAGUE 0749
RUEHBS/USEU BRUSSELS
RHMFIUU/HQ USSOUTHCOM MIAMI FL
RUMIAAA/USCINCSO MIAMI FL
RUEHUB/USINT HAVANA 0301
RHEHNSC/NSC WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC

UNCLAS LA PAZ 001245

SIPDIS

SENSITIVE
SIPDIS

STATE FOR WHA/AND
TREASURY FOR SGOOCH
STATE FOR EB/CIP/BA/NFETCHKO

E.O. 12958: N/A
TAGS: [ECON](#) [ECPS](#) [EINV](#) [PREL](#) [BL](#)
SUBJECT: GOB'S ENTEL TAKE-OVER ATTEMPT VEXES EUROPE

REF: LA PAZ 1144

Summary

¶1. (SBU) The parent company of Telecom Italia, which owns 50 percent of Bolivia's largest telephone company Entel, is threatening arbitration under the Bolivian-Dutch bilateral investment treaty. The arbitration threat arose following the GOB's announcement that it would take over majority ownership of Entel (reftel). This row regarding telecommunications "nationalization" is the latest in a string of events that threaten to sour EU-Bolivian relations.
End Summary.

Dutch Company Threatens Arbitration

¶2. (SBU) The press announced on May 4 that the Dutch telecommunications company, Euro Telecom International (ETI), the parent company of Telecom Italia, sent a letter to the Bolivian Government on April 30 notifying the GOB of a dispute under the Dutch-Bolivian bilateral investment treaty and requesting consultations regarding the GOB's plan to take over majority ownership of Bolivia's largest telecoms operator, Entel. Entel is 50 percent-owned by Telecom Italia, a subsidiary of the Dutch ETI, which was partially-acquired by the Spanish company, Telefonica S.A. in April.

GOB Seeks to "Nationalize" Entel

¶3. (SBU) Following partial privatization in the 1990s, Telecom Italia acquired its 50 percent ownership in Entel, while 47 percent was held in trust to pay pensions for the Bolivian public. The GOB announced in early April that it aimed to acquire majority ownership of Entel by May 1, and issued two decrees on April 23 taking over the 47 percent held by the pension fund administrators and declaring that Telecom Italia had not fulfilled its investment commitments made under contract (reftel). Telecom Italia claims that it surpassed such commitments with investments of USD 720 million.

Comment

¶4. (SBU) Vice President of the European Commission Frattini reportedly told the press that if Bolivia does not respect its commitments made to investors, it would be sending a very negative signal regarding the relationship between the European Union and Bolivia. This row regarding telecommunications "nationalization" is the latest in a string of events that threaten to sour EU-Bolivian relations.

In May 2006, the GOB angered the Spanish with threats to "nationalize" the partially Spanish-owned hydrocarbons company Repsol; in January 2007, the EU issued a request that the GOB stop fomenting violence in Cochabamba; in February 2007 the GOB nationalized the smelter operated by the Swiss company Glencore; and in April, Spain imposed tremendously unpopular visa requirements on Bolivians. These events have already strained relations, and this latest "nationalization" may signal the end of the European honeymoon with the Morales

government. End comment.
GOLDBERG